

...In Wonderland

(A look at Tennessee's Identity Crisis)

Association of Government Accountants

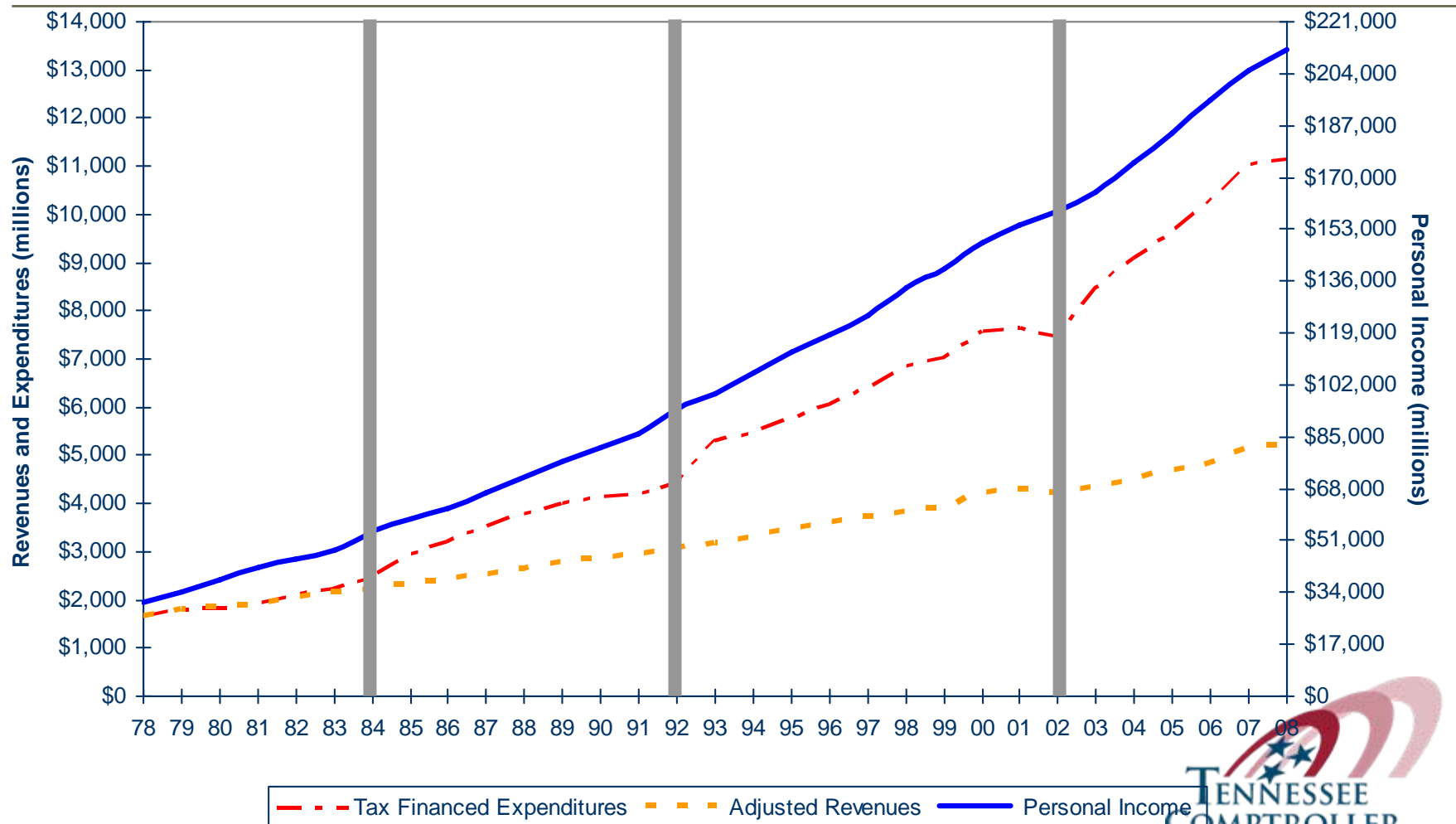
September 4, 2008



Down The Rabbit Hole

- ◆ Tennessee state government has followed the rabbit historically.
- ◆ We suffer from an identity crisis.
- ◆ Have we been drinking the potion to shrink over time only to eat the cake in order to get back to our old size?

Revenues and Expenditures in Tennessee, 1978 Base



Confusion abounds

- ◆ Previous slide shows issues with both our tax structure as well as ability to finance ongoing government operations.
- ◆ Status quo in both of these areas will not help Tennesseans compete in the 21st Century job market.

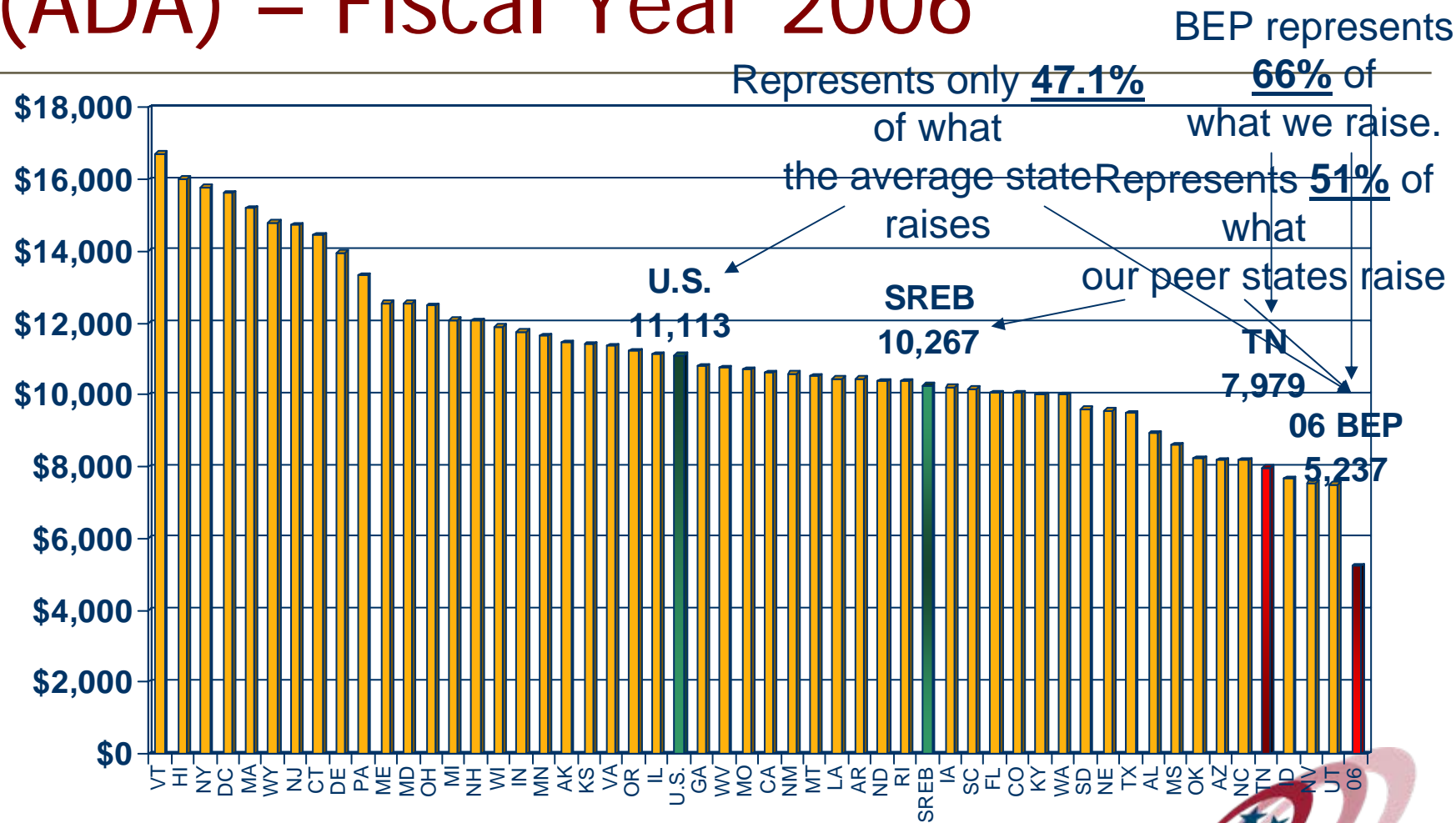
Tax Structure

- ◆ Status quo will not allow Tennessee to provide the current service level for much longer
- ◆ What needs to be done?

Education Finance

- ◆ Support for education in Tennessee remains comparably well below our peers as well as most other high performing states
- ◆ Money spent wisely on programs that work will lead to real improvement.

State and Local Revenues Per Pupil (ADA) – Fiscal Year 2006



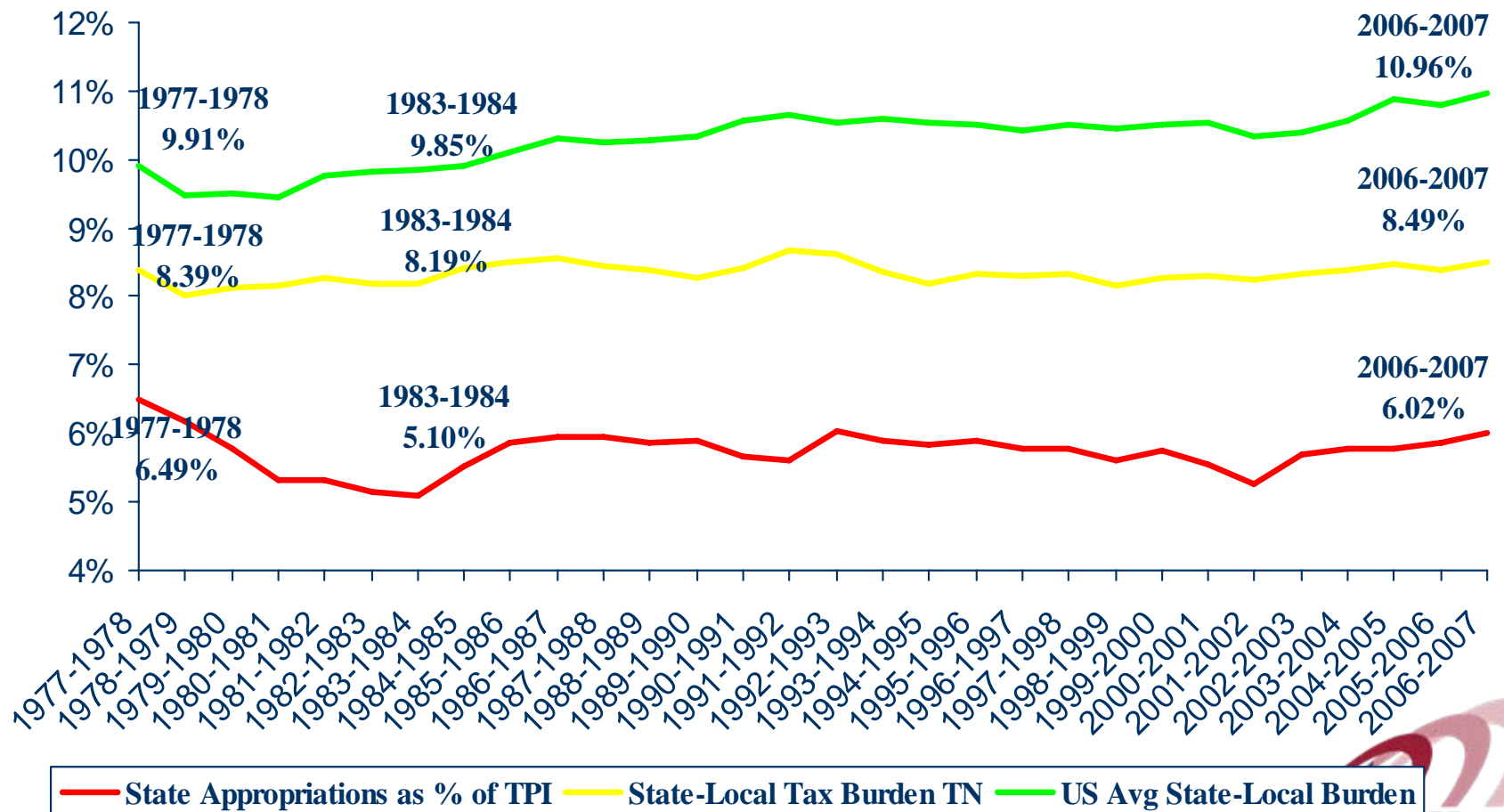
SOURCE: NEA Rankings & Estimates 2007, Summary Table F-4

FY06 BEP – July Final, ADA data from Table 7B – Annual Statistical Report

Local Government Structure

- ◆ System of “un-accountability.”
 - County Executive/Mayor elected to manage the county with minimum discretionary authority over budgets.
 - Various constitutional offices with executive powers may operate with their own agendas.
- ◆ Too many Counties? Too hard to consolidate?
- ◆ School Board v. County Commission dynamic

Various Tax Burden Measures as a Percent of Personal Income



Judicial Branch (Courts) Structure

- ◆ Constitution calls for only “one Supreme Court” and “Circuit, Chancery and other inferior Courts as the Legislature shall from time to time, ordain and establish...”
 - Tennessee Plan under scrutiny over last year.
 - Numerous types of courts and judges created the public may not know anything about.
 - ◆ Drug, special criminal, etc.
- ◆ Everyone needs to talk about how we select the people that administer and adjudicate the law.

Financial Management Decisions

- ◆ State and local government money managers are currently limited in our ability to perform their jobs.
 - What types of things Government funds should invest in?
 - ◆ Mutual Funds
 - ◆ Hedge Funds
 - ◆ Stocks
- ◆ Contractor competition for state business limited.
 - Limitation of liability issues
 - Many businesses cannot agree to those terms.

"Would you please tell me which way to go from here?"

If we don't take the opportunity to gather all interests in the state and perform a thorough self-examination then we keep walking, but going...where?

"That depends a good deal on where you want to get to," said the Cat.

"I don't much care where —" said Alice.

"Then it doesn't matter which way you go," said the Cat.

"— so long as I get somewhere," Alice added as an explanation.

"Oh, you're sure to do that," said the Cat, "if you only walk long enough."

Advice from a Caterpillar (Comptroller)

- ◆ We need to decide what type of government Tennessee is going to be.
 - How big are we going to be?
 - What type and quality of services are we going to provide?
 - Where do we want our performance to stack up against the rest of the nation?
 - How do we make that decision??

Our Vision for the Future

- ◆ Must be well thought out and discussed among all parties.
 - A Constitutional Convention perhaps?
- ◆ Must be articulated from a group of opinion leaders.
- ◆ Must be coherent to all consumers (general public, media, etc.)

Convene a Convention?

◆ Identified Issues:

- Taxes (state and local)
- Education Finance
- Local Government Structure
- Judicial System Organization
- Government Financial Management
(Investing and Contracting)